

**Changes in 2007
Post-Retirement Health Care Coverage**

U.S. Salaried Health Care Program

DELPHI

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This bulletin provides detailed information about changes Delphi will make effective January 1, 2007 to the post-employment health care coverage under the U.S. Salaried Health Care Program. It describes the effect these changes will have on current salaried employees, retirees and surviving spouses.

We encourage you to read this information carefully so you understand the changes and how they will affect you. In addition, you can learn more about steps you can take today to make sure you have appropriate coverage in the future.

Program Changes Effective January 1, 2007

It's important for you to know about the changes to the post-employment health care coverage provisions of the U.S. Salaried Health Care Program—whether you are retired, close to retirement age or many years from retirement. That's because these changes affect the health care coverage you may have when you retire from Delphi.

Following is a summary of the changes. Additional information on the specific effect these changes may have on you are found on pages 4–9 of this bulletin.

- Delphi will continue to provide eligible retirees with health care coverage, along with Corporation contributions (for those retirees who are eligible for such contributions), **before** they become eligible for Medicare. Delphi also will continue to assist eligible retirees with the cost of Medicare Part B coverage by continuing to provide the Medicare Special Benefit.
- **Effective January 1, 2007**, Delphi will no longer provide health care coverage under the Salaried Health Care Program for retirees who are or become eligible for Medicare under normal circumstances (not as a result of disability or end-stage renal disease).
- Also effective January 1, 2007, certain retirees who are or become eligible for Medicare under normal circumstances (not as a result of disability or end-stage renal disease) will be eligible for a new Retiree Medical Account. Eligible retirees will be able to use the new Retiree Medical Account to help defray the cost of purchasing Medicare coverage and/or other supplemental Medigap coverage.

Note: If you retire and become Medicare-eligible as a result of disability and/or end-stage renal disease, your Delphi health care coverages may be continued and you may be eligible for Corporation contributions until you would have become eligible

for Medicare in the normal course (age 65 under current Medicare regulations). Likewise, if you are within this group, you will not be eligible for the new Retiree Medical Account until you would otherwise have become eligible for Medicare in the normal course.

A Word about Dependents

If you become eligible for the new Retiree Medical Account and have an eligible dependent who is not yet Medicare-eligible, that dependent may still be covered under the Salaried Health Care Program and normal contribution provisions will apply until the dependent becomes eligible for Medicare in the normal course. If you are retired and not yet eligible for Medicare but have a dependent who is Medicare-eligible, you and your dependent will continue to be covered under the Salaried Health Care Program until you become eligible for Medicare in the normal course and normal contribution provisions will apply.

Dental, Vision and Extended Care Coverage

If you are currently eligible, you will be able to continue Dental, Vision and Extended Care Coverage through Delphi. You will be required to pay the full cost of this coverage. If you choose to discontinue these coverages for any reason, the coverages will not be reinstated.

The New Retiree Medical Account

Delphi is transitioning to a new account-based approach to post-employment health care coverage for eligible retirees. Retirees who were hired before January 1, 1993 generally will be eligible for this account. The Corporation will establish a Retiree Medical Account for each affected retiree. Establishment of this account is not a taxable event for you. Similarly, reimbursements to you from this account are not taxable as long as they are used to pay for legitimate medical expenses.

When you become Medicare-eligible under normal circumstances and you are retired, Delphi will establish a Retiree Medical Account in the amount of \$10,000 (\$20,000 for those eligible retirees who retired on or before March 1, 2005) on your behalf. The account will not grow through interest or future contributions from either you or Delphi, and the account cannot be converted to cash.

When you retire from Delphi and become Medicare-eligible, you will have access to the Retiree Medical Account. You can use the amount available in the account to reimburse yourself for certain health care expenses, such as Medicare and Medigap premiums. When you incur an expense, you will pay for it out-of-pocket and then submit the expenses for reimbursement from the account. When the account balance reaches \$0, you will begin paying 100% of your health care expenses.

With the account, you have the flexibility to pay for eligible expenses in a way that you decide best meets your needs. For example, some retirees may use the entire balance in the first few years after becoming Medicare-eligible, while others may allocate a certain dollar amount to be reimbursed each year. You can also use the account to reimburse yourself for Medicare and Medigap coverage premiums you paid for an eligible spouse.

Delphi intends to contract with an outside firm to administer the Retiree Medical Account. More information concerning the administrator and the specifics of account reimbursement procedures will be provided to you in 2006.

Supplemental Coverage Will Be Available through a Medigap Provider

Delphi is now making arrangements with a private insurance company so you can purchase supplemental coverage (called a Medigap policy) that pays for some or all of the medical expenses not paid by Medicare. You can use your Retiree Medical Account to reimburse yourself for this Medigap coverage. Due to the advantage of group purchasing power, this coverage may be more affordable to you than other Medigap policies available in the market.

You are not required to purchase Medigap coverage through this arrangement in order to use your Retiree Medical Account. In mid-2006, affected retirees will receive additional information about this supplemental coverage, including full cost, coverage and enrollment information.

A Reminder for Salaried Employees Hired On or After January 1, 1993

If you were hired on or after January 1, 1993, you are not eligible to receive the Retiree Medical Account described in this bulletin. That's because Delphi does not provide Corporation contributions for health care in retirement for employees hired on or after January 1, 1993.

If you retire from Delphi, you will be able to purchase coverage through Delphi until you become Medicare-eligible. After that, you may purchase Medicare and Medigap policies. If eligible, you will continue to have access to coverages still provided by Delphi (Vision, Dental and Extended Care Coverage), but you will pay the full cost of coverage.

How Are Current U.S. Salaried Employees Affected?

These changes will not affect your health care coverage while you are an active employee. However, the movement toward an account-based plan means that, once you retire and become Medicare-eligible, you will likely pay more for health care coverage than you would have paid under the current provisions of the Salaried Health Care Program. It's wise to consider how you will cover these additional costs as part of your overall retirement planning.

The program changes will affect you differently depending on whether you retire before or after January 1, 2007.

If You Retire and Become Medicare-Eligible *Before* January 1, 2007

If you retire and become Medicare-eligible before January 1, 2007, the current provisions concerning health care in retirement apply to you through December 31, 2006. For more details about those provisions, please review the Summary Plan Description available through *My Delphi*. Beginning January 1, 2007, you will not have access to the Delphi health care coverage. However, you will be able to purchase health care coverage through other sources, including Medicare and Medigap policies that are available in the market. If eligible, you can use your Retiree Medical Account to reimburse yourself for premiums you paid for these coverages.

If You Retire and Become Medicare-Eligible *On or After* January 1, 2007

If you retire and become Medicare-eligible on or after January 1, 2007, you will not have access to the Delphi health care coverage. However, you will be able to purchase health care coverage through other sources, including Medicare and Medigap policies that are available in the market. If eligible, you can use your Retiree Medical Account to pay the premiums for these coverages.

Steps to Take Today to Prepare for the Future

Regardless of your age, it's important to start thinking about your total retirement plan and how you will pay for health care costs when you retire. Here are a few things you can do today to help:

- **Develop a plan.** Use the tools that are available to you through Fidelity's Web site to create a retirement plan that's right for you. If you're nearing retirement, consider seeing a financial planner to make sure you're saving enough for future costs—including medical expenses you'll need to cover during retirement.

- **Start saving and, if you can, save more.** Even if you save only a few dollars a week in your Savings-Stock Purchase Plan (S-SPP) account, that money will grow over time. The earlier you start, the better. If you're already saving in the S-SPP, consider increasing your contributions.
- **Learn about your health, how to stay healthy and how to use the health care system.** Use the resources Delphi will provide to take control of your health and to use the health care system wisely. Taking these steps can help you save money now and in the future.

What Delphi Will Do

As we approach 2007—when these changes will go into effect—Delphi will provide information and tools to help you make informed decisions and plan to cover future health care costs:

- **Coverage information** about the federal government's Medicare system and Medigap plans that are offered by private insurance companies to help pay for expenses that Medicare does not cover.
- **A modeler** that can help you assess your total retirement picture—including health care expenses in retirement—and action steps you can take now to save for these future expenses.
- **Health care consumer information** so you can stay as healthy as possible and, when you need health care, know how to get high-quality care in a cost-effective way.

You can call the National Benefit Center at **1-866-335-7444** for general questions about these changes. Be sure to check **My.Delphi.com** for additional materials and resources to help you plan for your retirement.

How Are Pre-Medicare Salaried Retirees Affected?

The changes will affect you differently, depending on whether you reach age 65 and become eligible for Medicare before or after January 1, 2007.

If You Become Medicare-Eligible Before January 1, 2007

If you become Medicare-eligible under normal circumstances before January 1, 2007, the current provisions concerning health care in retirement apply to you through December 31, 2006. For more details about those provisions, please review your Summary Plan Description. Beginning January 1, 2007, you will not have access to the Delphi health care coverage. However, you will be able to purchase health care coverage through other sources, including Medicare and Medigap policies that are available in the market. If eligible, you can use your Retiree Medical Account to reimburse yourself for the premiums you paid for these coverages.

You may be aware that Medicare Part D is the new part of the Medicare system being implemented in 2006 to help Medicare participants pay for prescription drugs. Even if you reach Medicare eligibility in 2006, **you should not enroll in Medicare Part D coverage for 2006.** That's because prescription drug coverage will still be available through Delphi through December 31, 2006. If you do enroll for 2006 in Medicare Part D, you will not be able to participate in Delphi health care coverages for as long as you are enrolled in 2006. More information about Medicare Part D can be found on page 8 of this bulletin.

If You Become Medicare-Eligible On or After January 1, 2007

If you become Medicare-eligible under normal circumstances on or after January 1, 2007, you will not have access to the Delphi health care coverage beginning on the date of your Medicare eligibility. You will be able to purchase health care coverage through other sources, including Medicare and Medigap policies that are available in the market. If eligible, you can use your Retiree Medical Account to reimburse yourself for the premiums you paid for these coverages.

Transition to Medicare Part D for Prescription Drug Coverage in 2007

If you are a Medicare-eligible retiree on or after January 1, 2007, you should consider purchasing prescription drug coverage through Medicare Part D. **For prescription drug coverage after January 1, 2007, you will need to enroll in Medicare Part D during the annual enrollment period (November 15 through December 31, 2006).** You will receive information directly from Medicare on how to sign up during the enrollment period.

While Delphi will continue to help pay the Medicare Part B premium for certain eligible retirees, all retirees will be responsible for paying their own Medicare Part D premium. You can read more about how Medicare Part D works on page 8 of this bulletin.

Supplemental Coverage Will Be Available through a Medigap Provider

Delphi is now making arrangements with a private insurance company that will allow you to purchase supplemental coverage at a group rate when you need it. Also called a Medigap policy, this supplemental coverage pays for some or all of the medical expenses not paid by Medicare. The new Retiree Medical Account can be used to reimburse yourself for the premiums you paid for this Medigap coverage. Due to the advantage of group purchasing power, this coverage may be more affordable than other Medigap policies available in the market.

In mid-2006, retirees who are or will be Medicare-eligible on January 1, 2007 will receive additional information about this supplemental coverage, including full cost, coverage and enrollment information.

Steps You Can Take to Prepare

Here are some steps you can take to prepare for these changes:

- **Create a plan** for how you will cover additional health care costs once you reach age 65. Consider meeting with a financial planner to discuss how you can save for these future expenses.
- **Talk with your doctor** about steps you can take to improve your health and reduce current and future health care costs.

- **If you're nearing age 65, become an informed consumer on Medicare benefits.** Knowing what's covered and how Medicare works can help you plan for the future. To learn more, visit the Medicare Web site at www.medicare.gov or contact a representative toll-free at **1-800-MEDICARE (1-800-633-4227)**. For TTY assistance, call **1-877-486-2048**.

Keeping You Informed

Delphi will continue to provide information to you to make sure you understand the changes that take effect January 1, 2007 and what you need to do to make decisions that will be right for you and your family. Please keep this bulletin and future information you receive with your important benefits-related documents so you can find this information when you need it. Additionally, you can call the National Benefit Center at **1-866-335-7444** for general information on this change. Occasionally, we will post relevant information on www.delphinbc.com, so it is important that you regularly review this Web site for updates.

Finally, plans are being made to hold meetings in selected cities with large Delphi retiree populations. You will be notified separately when meetings are held in your area. As it becomes available, meeting information will be posted on www.delphinbc.com.

How Are Salaried Retirees Currently Eligible for Medicare Affected?

If you are currently retired and eligible for Medicare under normal circumstances (not as a result of disability or end-stage renal disease), you will continue to have coverage under the current Salaried Health Care Program until the end of 2006.

Effective January 1, 2007, your Delphi health care coverage will cease. You will still be able to purchase Dental, Vision and Extended Care Coverage through Delphi, but medical and prescription drug coverages will not be available. If you wish to supplement Medicare coverage, you will need to purchase an available Medigap policy. If you wish to have prescription drug coverage, you will need to enroll in Medicare Part D.

On January 1, 2007, Delphi will establish your Retiree Medical Account, and you can begin using it to reimburse yourself for your health care expenses.

Supplemental Coverage Available through Medigap Provider

As noted earlier, Delphi is now making arrangements with a private insurance company so you can purchase supplemental coverage (called a Medigap policy) that pays for some or all of the medical expenses not paid by Medicare, depending on the level of coverage you purchase. You can use your Retiree Medical Account to reimburse yourself for the premiums you paid for this Medigap coverage. Due to the advantage of group purchasing power, this coverage may be more affordable to you than other Medigap policies available in the market.

In mid-2006, you will receive additional information about this supplemental coverage, including full cost, coverage and enrollment information. We encourage you to compare this option to other Medigap plans and make the decision that's right for you.

Transition to Medicare Part D for Prescription Drug Coverage in 2007

Starting January 1, 2007, you should consider purchasing prescription drug coverage through Medicare Part D. If you decide to do so, you will need to enroll in Medicare Part D coverage during the regular annual enrollment period for Medicare—from November 15 through December 31, 2006. The cost of Medicare Part D coverage will be approximately \$35 per month. While Delphi will continue to help pay the Medicare Part B premium for certain eligible retirees, all retirees will be responsible for paying their own Medicare Part D premium.

Although you will start receiving information about Medicare Part D coverage from the Centers for Medicare & Medicaid Services (CMS) in October 2005, **remember that you should not enroll for Medicare Part D for 2006.** This is because you will continue to have prescription drug coverage through Delphi.

You can learn more about what's covered under Medicare Part D at the CMS Web site at www.medicare.gov or by contacting a CMS representative toll-free at **1-800-MEDICARE (1-800-633-4227)**. For TTY assistance, call **1-877-486-2048**.

It's Your Choice!

You do not have to enroll in the supplemental coverage available through the Medigap provider chosen by Delphi. In fact, you can choose any Medigap policy that is available to you on the market today—each with different levels of coverage and associated costs. Or, you may decide not to purchase supplemental coverage at all. The decision is completely yours.

Steps You Can Take to Prepare

Here are some steps you can take to prepare for these changes:

- **Develop a plan** for how you will cover additional health care costs starting in 2007, when the changes described in this bulletin take effect.
- **Consider steps you can take to lower your health care costs.** Part of this plan may include talking with your doctor about how you can reduce your prescription drug and other health care costs in the future while still getting the care you need.
- **For 2006, DO NOT enroll in Medicare Part D prescription drug coverage during the Medicare enrollment period** (November 15, 2005 through May 15, 2006). You do not need to enroll in Medicare Part D for 2006. If you do enroll, you will not have health care coverage under the Delphi plan for 2006. However, you will want to enroll in Medicare Part D coverage in 2007. Delphi will send you information to remind you of these changes.

Keeping You Informed

Delphi will continue to provide information to you to help you understand the changes that take effect January 1, 2007 and what you need to do to make informed decisions. Please keep this bulletin and future information you receive with your important benefits-related documents so you can find this information when you need it. Additionally, you can call the National Benefit Center at 1-866-335-7444 for general information on this change. Occasionally, we will post relevant information on www.delphinbc.com, so it is important that you regularly review this Web site for updates.

Finally, plans are being made to hold meetings in selected cities with large Delphi retiree populations. You will be notified separately when meetings are held in your area. As it becomes available, meeting information will be posted on www.delphinbc.com.

Medicare: An Overview

Medicare health insurance is provided by the U.S. federal government and is supported by Medicare taxes you pay during your working years. Under current Medicare rules, you become eligible for Medicare in the normal course on your 65th birthday. You may be eligible for Medicare benefits at an earlier age if you have permanent kidney failure or have certain disabilities.

There are three main types of coverage provided under Medicare:

Medicare Part	Covered Services	Coverage Cost	Can You Use Retiree Medical Account Starting in 2007 to Pay for It?
Part A	Inpatient hospital services, skilled nursing facility services, certain home health services and hospice care.	Generally available at no cost.	No need; the government provides you Part A at no additional cost.
Part B	Doctor services, outpatient hospital services, certain home health services, medical equipment and supplies, and other health services and supplies.	\$78.20 per month per participant (2005 rate).	Yes, but if you're eligible, Delphi will help you pay for your Part B premium through the Medicare Special Benefit.
Part D (starts January 1, 2006)	Prescription drug benefit to eligible seniors and other individuals with disabilities.	Approximately \$35 per month (expected 2006 rate). See more information about the plan design in the Glossary of Terms.	Yes.

For more information and free publications on the Medicare system, visit their Web site at **www.medicare.gov** or call a representative toll-free at **1-800-MEDICARE (1-800-633-4227)**. For TTY assistance, call **1-877-486-2048**.

Glossary of Terms

Centers for Medicare & Medicaid Services (CMS):

The Centers for Medicare & Medicaid Services is the government agency responsible for administering the Medicare program.

Medicaid: A joint federal and state program that helps with medical costs for some people with low incomes and limited resources. Medicaid programs vary from state to state, but most health care costs are covered if you qualify for both Medicare and Medicaid.

Medicare: Medicare, the nation's largest health insurance program, covers nearly 40 million Americans. You are eligible for Medicare in the normal course starting on your 65th birthday. The program provides health insurance to people with permanent kidney failure, and individuals younger than age 65 who have certain disabilities.

Medicare Prescription Drug Improvement and Modernization Act of 2003: The law, passed by Congress in 2003, designed to provide Medicare beneficiaries with more choices in health care coverage. The Act includes new prescription drug coverage through Medicare Part D.

Medicare Part D: The new Medicare benefit that provides prescription drugs to eligible seniors and other individuals with disabilities. Here's how it works:

- You choose a prescription drug plan and pay a premium of approximately \$35 per month.
- You pay the first \$250 each year (the "deductible").
- Medicare pays 75% of the costs between \$250 and \$2,250 in drug spending during each calendar year. You pay the remaining 25% of the costs.
- You pay 100% of drug costs above \$2,250 until you reach \$3,600 in out-of-pocket spending in any calendar year.
- Medicare will pay about 95% of the costs after you have spent \$3,600 during that calendar year.

Medigap: A Medicare supplement insurance policy sold by private insurance companies to fill "gaps" in Medicare coverage. There are, generally, 10 standardized plans labeled Plan A through Plan J. The government regulates these policies, and each plan has different coverages and costs associated with it. The cost of coverage can vary by the specific plan selected, the age at which coverage begins, the insurance company that provides the plan and the state in which a retiree lives. In 2005, one large private insurer's rates varied from \$60 per month to more than \$300 per month depending on the previously mentioned factors.

Retiree Medical Account: Starting January 1, 2007, Delphi will provide an account to each eligible U.S. salaried retiree who was hired before January 1, 1993 and is eligible for Medicare. The amount available in this account depends on your retirement date. You may use the funds available in your account to reimburse yourself for Medicare and Medigap premiums you paid. Retirees who include a dependent on their retiree medical coverage do not get an extra amount in the account—it is the same amount as if the retiree has single coverage. However, a surviving spouse is eligible for the amount in the Retiree Medical Account that otherwise would have gone to the retiree.

Delphi reserves the right to amend, modify, suspend, increase, decrease or terminate any of its salaried employee benefit plans or programs, including the Salaried Health Care Program, at any time. This bulletin serves as the required "Summary of Material Modifications" to the post-employment health care provisions of the Salaried Health Care Program. As noted in this bulletin, the changes to the post-employment health care provisions take effect on January 1, 2007. Receipt of this material does not imply that you are eligible for the benefits described. Eligibility for all benefits is governed by the provisions of the Salaried Health Care Program.

DELPHI

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